



House of Representatives

General Assembly

File No. 140

February Session, 2014

House Bill No. 5276

House of Representatives, March 26, 2014

The Committee on Commerce reported through REP. PERONE of the 137th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

AN ACT CONCERNING SUPPLEMENTAL FUNDING UNDER THE PRESEED FINANCING PROGRAM.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 32-41x of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective October 1, 2014*):

3 (a) There is established an account to be known as the "preseed
4 financing account" which shall be a separate, nonlapsing account
5 within the General Fund. The account shall contain any moneys
6 required by law to be deposited in the account. Moneys in the account
7 shall be expended by Connecticut Innovations, Incorporated, for the
8 purposes of providing preseed financing pursuant to the program
9 established in subsection (b) of this section.

10 (b) Connecticut Innovations, Incorporated, shall establish a program
11 to provide preseed financing for [Connecticut businesses] eligible
12 businesses, which shall include, but not be limited to, financial
13 assistance for the development of proof of concepts and support

14 services. Financial assistance shall not exceed one hundred fifty
 15 thousand dollars per eligible business. An eligible business shall (1) [be
 16 principally located in Connecticut, (2)] have not less than seventy-five
 17 per cent of its employees working in Connecticut if such business has
 18 employees, and [(3)] (2) demonstrate private investment dollars of not
 19 less than fifty cents for every dollar of financial assistance sought from
 20 the program established pursuant to this section. For the purposes of
 21 this [subsection] section, "private investment dollars" shall include
 22 funds from a public institution of higher education, except those funds
 23 derived from state appropriations or student tuition and fees, that are
 24 used to assist in the commercialization of technology owned by a
 25 public university.

26 (c) The corporation may, not earlier than two months following an
 27 award of financial assistance to a business pursuant to subsection (b)
 28 of this section, award additional financial assistance to such business,
 29 provided (1) if such business has employees, not less than seventy-five
 30 per cent of such employees work in Connecticut, and (2) such business
 31 demonstrates private investment dollars of not less than ten cents for
 32 every dollar of financial assistance sought under this subsection. Any
 33 such additional award of financial assistance shall not exceed two
 34 hundred thousand dollars.

35 [(c)] (d) The corporation may enter into an agreement, pursuant to
 36 chapter 55a, with a nonprofit corporation providing services and
 37 resources to entrepreneurs and businesses to operate such program.

This act shall take effect as follows and shall amend the following sections:

Section 1	October 1, 2014	32-41x
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CE *Joint Favorable*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 15 \$	FY 16 \$
CT Innovations Inc. (quasi-public)	Pre-seed Fund - Potential Cost	Greater than 100,000	Greater than 100,000

Municipal Impact: None

Explanation

The bill may result in a cost to Connecticut Innovations, Incorporated (CII), a quasi-public agency, by (1) expanding the pre-seed financing program and (2) allowing CII to provide supplemental funding to businesses that have received a pre-seed award. The cost would impact CII's Pre-seed Fund to which the state has provided General Obligation bond authorizations.¹ The actual cost will depend upon the level of investment that CII undertakes as a result of this bill.

Since the program's creation in 2010, CII provided approximately \$7 million of pre-seed financing to fifty companies. Within the fifty, CII identified forty-two which would qualify for supplemental financing. CII has already provided supplemental financing to fifteen pre-seed companies from its operational funds. This bill would allow CII to provide supplemental funding to the remaining twenty-seven companies, as well as other eligible companies in the future, using funding available in the Pre-seed Fund.

¹ PA 10-75 authorized \$5 million to the preseed financing program. PA 11-1 of the October Special Session authorized \$125 million of General Obligations bonds to CII from FY 12 to FY 16, of which \$15 million was set aside for the preseed financing program.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

OLR Bill Analysis**HB 5276*****AN ACT CONCERNING SUPPLEMENTAL FUNDING UNDER THE PRESEED FINANCING PROGRAM.*****SUMMARY:**

This bill allows (1) businesses located anywhere, not just in Connecticut, to qualify for the Connecticut Innovations, Inc. (CII) pre-seed financing program, and (2) CII to provide additional funding to eligible businesses under the program.

Under current law, a business qualifies for up to \$150,000 in initial pre-seed financing if it is principally located in Connecticut and 75% of its employees work here. The bill removes the requirement that a business be principally located in Connecticut and specifies that the employee requirement applies only if a business has employees. As under current law, businesses must show they received private funding that equals at least half the state funds they seek.

The bill also allows CII to provide additional financing, up to \$200,000 per award, to eligible businesses at least two months after the initial award. A business qualifies for additional assistance if (1) at least 75% of its employees, if any, work in Connecticut and (2) it shows it received private funding equal to 10% of the state funds it seeks.

EFFECTIVE DATE: October 1, 2014

BACKGROUND***CII's Pre-Seed and Seed Financing Programs***

CII provides financing to companies through the pre-seed and seed financing programs. Pre-seed financing supports businesses that are developing concepts and helps these businesses get to the seed stage of development. In addition to criteria mandated by law, CII requires that

pre-seed businesses: (1) have been operating for fewer than seven years, (2) be developing a technology, (3) have nonrecurring revenues from non-grant sources of less than \$2 million, and (4) have fewer than 25 employees. CII's seed financing program provides up to \$1 million in investments to early-stage businesses looking to commercialize technology.

COMMITTEE ACTION

Commerce Committee

Joint Favorable

Yea 16 Nay 0 (03/11/2014)